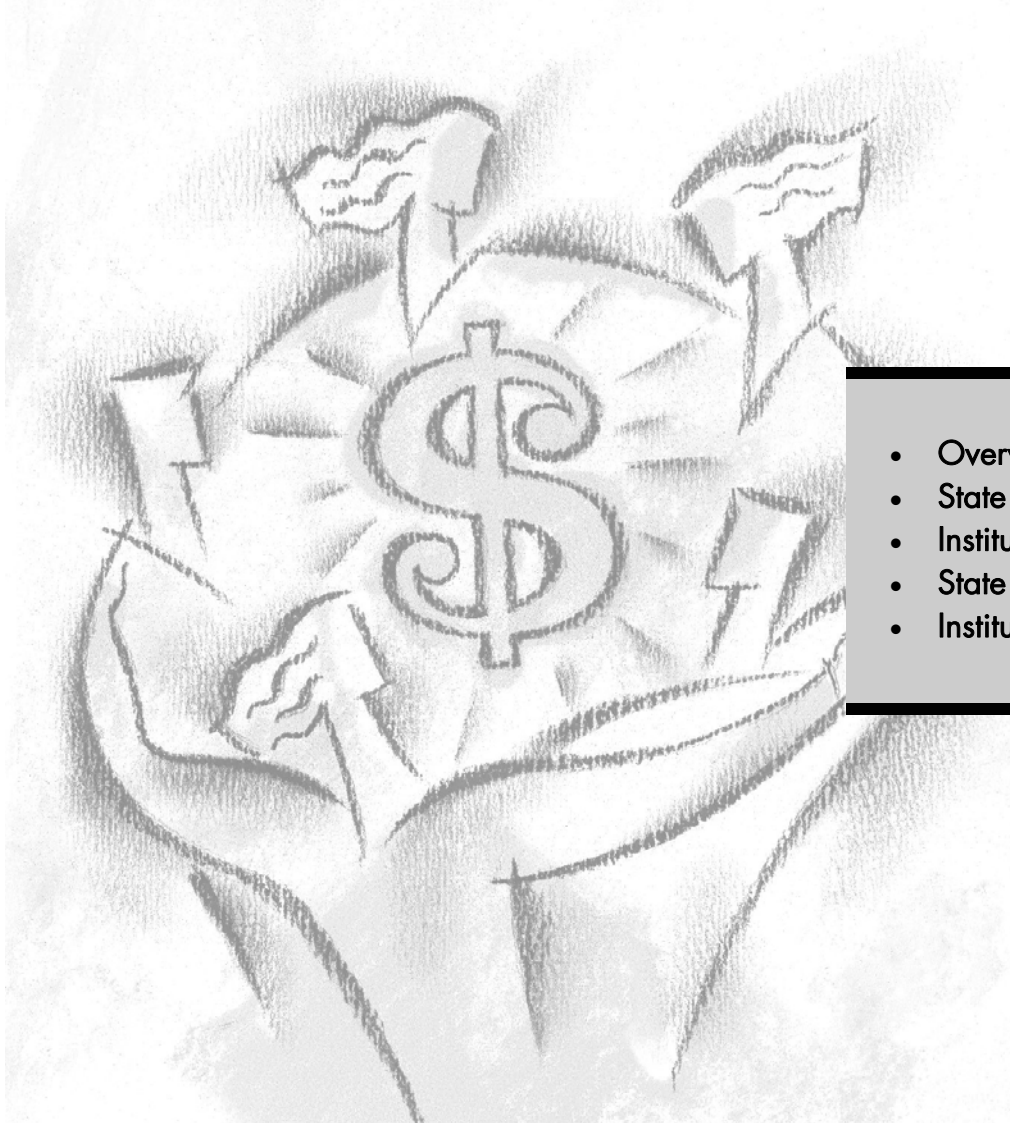


QUESTION 2

Is Kentucky postsecondary education affordable for its citizens?



- Overview
- State Indicators
- Institutional Indicators
- State Initiatives
- Institutional Initiatives

Question 2: Is Kentucky postsecondary education affordable for its citizens?

To increase Kentucky's intellectual capital, college must remain financially accessible, especially for those families who are least able to pay. Historically, the cost of going to college in Kentucky has compared favorably to other states. This is still true today. Tuition remains relatively low and the average financial aid award is high. However, rising tuition and fees are placing a financial strain on many families. If this trend continues, Kentucky may overload students with debt or price them out of college completely. Kentucky must strive to provide its citizens with high-quality, affordable postsecondary education.

All citizens of Kentucky deserve access to affordable postsecondary education, and the Council takes very seriously its charge to develop ways of measuring progress in pursuit of this goal. However, the affordability of college is a complex issue and one that is difficult to measure. National data sources and measures do not provide a comprehensive picture of cost and discounting. Consequently, the question of affordability will continue to be answered using *Measuring Up* statistics at the state level.

Question 2 - State Key Indicators

Kentuckians' Ability to Pay for College

This indicator represents the annual net cost of college as a percentage of the average (median) family income in the state and is taken from *Measuring Up: The State Report Card on Higher Education*, a biennial report widely referenced in these key indicators. *Measuring Up* is issued by the National Center for Public Policy and Higher Education and provides both a historical perspective and comparisons to other states. The indicator uses the annual net cost—which equals tuition, room, and board minus financial aid—as a percentage of median family in-

come, calculated as the average income of the middle 20 percent of the income distribution. Please refer to Figure 2.1.

Highlights

- Traditionally, the cost of going to college in Kentucky has been lower than both the SREB and US averages. This remained the case in 2004 for all sectors.
- Annual net cost as a percent of median family income has increased four percentage points for public two-year institutions since 2000, one percentage point for public four-year institutions, and eight percentage points for independent institutions.
- On average, the annual net cost of attending college in Kentucky in 2004 was \$6,456 at public two-year institutions, \$6,939 at public four-year institutions, and \$14,543 at independent institutions.

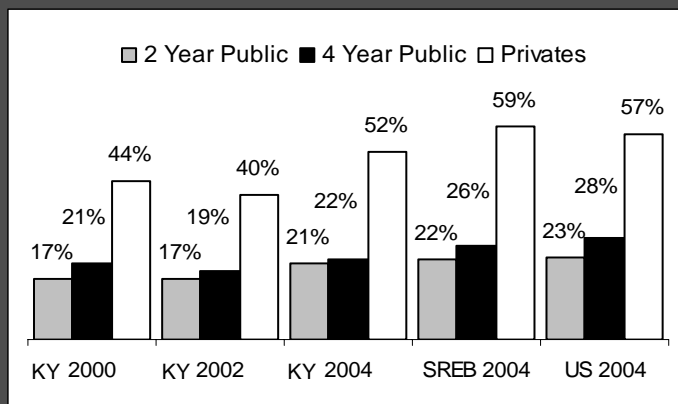
Low-Income Kentuckians' Ability to Pay for College

To determine if college is affordable for Kentucky's neediest families, this indicator presents the "sticker price" of the lowest-priced public institution in the state as a percentage of the average (median) family income for those families in the lowest one-fifth of the income distribution (from *Measuring Up*).

Highlights

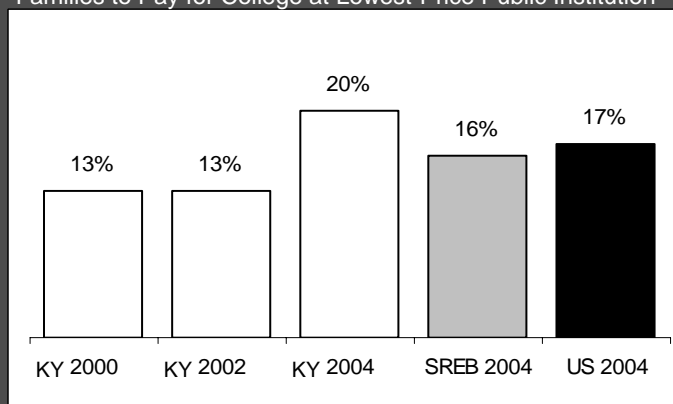
- The percent of income needed for low-income families to pay for college increased significantly from 2002 to 2004, from 13 percent to 20 percent, respectively.
- With this increase, Kentucky's percent of income needed for low-income families to pay for college is now above both SREB and the US averages.

Figure 2.1 Annual Net Cost as a Percent of Median

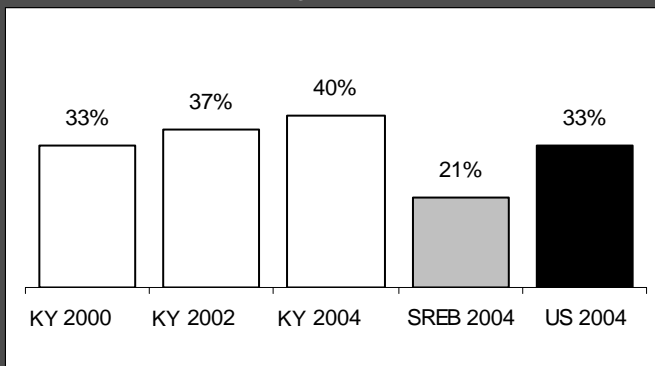
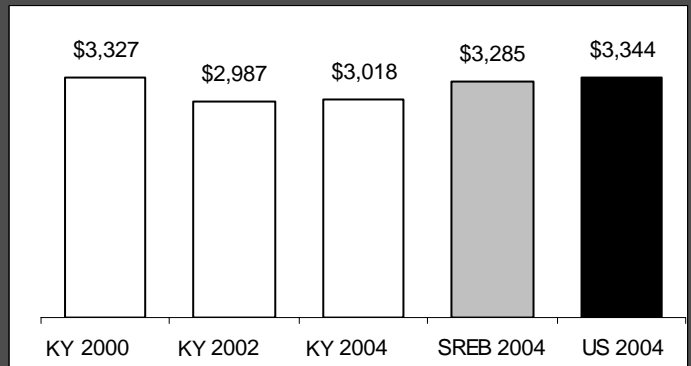


Source: *Measuring Up State Report Cards*

Figure 2.2 Percent of Income Needed for Low-Income Families to Pay for College at Lowest-Price Public Institution



Source: *Measuring Up State Report Cards*

Figure 2.3 State Need-based Aid as a Proportion of Federal Pell Grant SpendingSource: *Measuring Up State Report Cards***Figure 2.4** Average Loan Amount That Undergraduate Students Borrow Each YearSource: *Measuring Up State Report Cards*

State Investment in Need-Based Financial Aid as Compared to the Federal Investment

This indicator provides a comparison of Kentucky's investment in need-based financial aid to that of other states by presenting need-based aid as a proportion of federal Pell grant spending as reported in *Measuring Up*.

Highlights

- Since 2000, Kentucky has consistently increased its need-based aid as a percentage of federal Pell grant spending, increasing from 33 to 40 percent in 2004.
- In 2004, the percentage was almost double that of other SREB states and almost 7 percentage points greater than the US average.

Student Loan Debt

The average amount of student loans is an indicator of students' reliance on borrowing as an affordability strategy and a dollar amount that should be kept as low as

possible. Federal loans comprise more than 90 percent of the funds students borrow to attend college. Thus, this indicator serves as a proxy for the annual student loan burden. As with all indicators taken from *Measuring Up*, this indicator enables comparison to other states. Please refer to Figure 2.4.

Highlights

- Reflecting the traditional affordability of the state and the growing two-year sector enrollment, the average loan amount that undergraduate students borrow each year has actually decreased from \$3,327 in 2000 to \$3,018 in 2004.
- In 2004, Kentucky's average loan amounts were 9 percent and 11 percent lower than SREB states and the US, respectively.
- Parent-Plus loans are one group of lending where Kentucky appears to significantly lag the SREB states and the US (Figure 2.5).

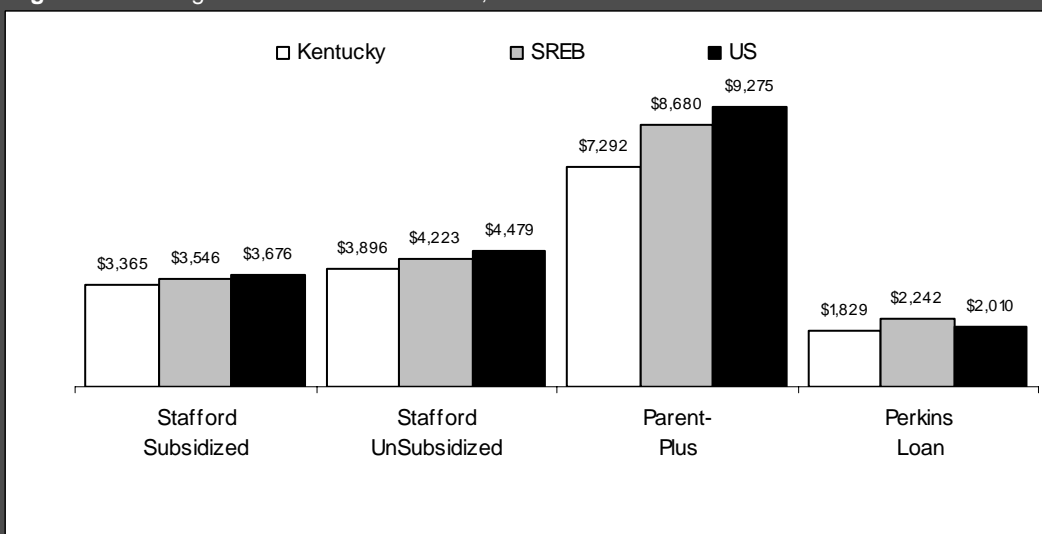
Figure 2.5 Average amount of student loans, 2003-04Source: *Measuring Up State Report Cards*

Table 2.1 Net cost of Attendance as a Percent of Median Family Income

	Average Net Cost	Median Family Income of Enrolled Students*	Average Net Cost as a Percent of Median Family Income of Enrolled Students*	Median Family Income of Service Area	Average Net Cost as a Percent of Median Family Income of Service Area
EKU	\$6,450	\$30,374	21%	\$28,015	23%
KSU	\$8,529	\$25,036	34%	\$48,771	17%
MoSU	\$5,484	\$26,440	21%	\$29,243	19%
MuSU	\$6,494	\$37,694	17%	\$38,716	17%
NKU	\$9,334	\$41,533	22%	\$47,048	20%
WKU	\$7,074	\$35,882	20%	\$35,334	20%
UK	\$9,108	\$53,315	17%	\$44,100	21%
UofL	\$9,655	\$41,158	23%	\$52,766	18%
4 Year Public Average	\$7,228	\$32,827	23%	\$37,855	19%

* Includes only income from enrolled students who completed the Free Application for Federal Student Aid (FASFA)

Source: College Affordability in Kentucky, JBL Associates, 2005, US Census Bureau

Question 2 - Institutional Key Indicator

Net Cost of Attendance as a Percent of Median Family Income

This indicator measures the net cost of attending college (including grants, loans, and discounts) against the median family income of enrolled students who completed the Free Application for Federal Student Aid (FASFA) and the median family income of each institution's service region.

Highlights

- The state average net cost as a percent of median family income for full-time students was 23 percent, ranging from 17 percent at Murray and UK to 34 percent at KSU.
- Net costs appear more affordable when compared to incomes in different service regions. The net cost as a percent of median family income by service region was 19 percent, ranging from 17 percent at Murray and KSU to 23 percent at EKU. This is because the median family income in the service areas is higher than that of the median family income of full-time students at most of the state's public universities.
- However, this is not universally the case. For example, at both EKU and at UK, the median family income for full-time students is actually slightly higher than that of the service area.

Question 2 - Council or State Initiatives to Be Implemented During 2005-06

The following Council or statewide initiatives are intended to move the Commonwealth forward on Question 2 during 2005-06.

To keep college affordable for the neediest students, the Council will:

- Approve a new tuition policy in January 2006. The tuition policy seeks to balance the need for tuition revenue necessary to provide a quality education with the ability of students to pay. The policy also provides a mechanism to monitor affordability over time and links tuition rates with the availability of state appropriations and financial aid.
Progress measured by decreasing or maintaining percent of income needed to pay for college.
- Continue to collect and monitor detailed student affordability data based on recommendations from the affordability study. These data will be used in the tuition policy as a measure of affordability and will directly affect tuition rates.
Progress measured by the ability to efficiently capture affordability data and analyze it as it relates to the Council's tuition policy.
- If funded by the legislature, continue a college access campaign (Go Higher) aimed at educating potential students about college and the availability of financial aid.

Progress measured by the number of students and parents reached by campaign.

- Incorporate the use of median family income in the tuition policy as an anchor for determining maximum tuition parameters in order to ensure that the ability of Kentucky's families to pay directly affects the price of attending college.

Progress measured by continuing to collect and monitor affordability data.

- Continue to lead the KEES Policy Issues Work Group with staff from the Kentucky Department of Education and the Kentucky Higher Education Assistance Authority. The work group will address the criteria for KEES scholarship awards and related issues. Continued attention will be paid to the need to link KEES scholarships to a college preparatory curriculum, which has strengthened support for the KDE proposal to raise high school graduation requirements.
- Progress measured by passage of regulatory and statutory initiatives for KEES and other financial aid programs.*

To increase need-based financial aid, the Council will:

- Support KHEAA's recommendations to increase need-based student financial aid programs for financially independent students, many of whom are non-traditional or adult students. The Council supports KHEAA's recommendation to pilot a scholarship program aimed at adult students. The availability of state and institutional financial aid is a crucial element for maintaining a low net cost.
- Progress measured by the number of adults that take advantage of the pilot scholarship program.*
- Continue to factor into the tuition rates the amount of financial aid available for students by using detailed student data referenced in the Affordability Study.
- Progress measured by conducting regular analyses to properly assess need-based financial aid.*

To maintain a manageable level of student debt, the Council will:

- Develop a new Council tuition policy using an affordability measure for determining tuition rates that factors in the annual debt load of the best performing states in the *Measuring Up* national survey. The affordability study concluded that Kentucky students do not appear to have an unreasonable debt load.
- Progress measured by adopting a new policy and*

monitoring impact on statewide tuition and fee revenue and average student debt load.

- Via KYVU, continue to provide online learning opportunities to over 42,200 students enrolled in academic degree-seeking courses. The availability of online learning can assist students by reducing their travel costs or lost wages due to scheduling conflicts with work.
- Progress measured by the number of students served who have school-age children or dependent parents and who are paying for care during absences now, the number of students taking courses offered via the KYVU catalog not offered by their local institution, and the number of "returning" KYVU students.*
- Via KYVU, continue to provide reliable information about full transferability of specific online associate degree programs to certain baccalaureate and graduate programs offered online. Help students find the best fit for the particular online degree they want to pursue without wasting tuition dollars.
- Progress measured by the number of transfer referrals to KYVU academic providers that result in reasonable transferability for the KYVU student (KYVU transfer referral database; the number of UCAN tickets, and the number of student and admissions officer surveys).*
- Via KYVU, offer free access to 24/7 technical support for all KYVU users and free access to online study areas across all academic providers. KYVL provides free access to over 76,000 publications to postsecondary students and faculty.
- Progress measured by increased number of basic support calls to the 24/7 help desk from students of KYVU academic providers that lead to retention and successful completion in their courses.*

Question 2 - Institution Initiatives to Be Implemented During 2005-06

The following initiatives are planned in 2005-06 to move the institutions forward and support Question 2 of the Public Agenda.

Eastern Kentucky University will:

- Increase general funding (base budget) for need-based financial aid. ECU earmarked \$500,000 for additional need-based financial aid funding for fiscal year 2004-05 and an additional \$2.5 million for fiscal year 2005-06. This is indicative of a significant com-

mitment to affordability. The additional \$2.5 million in need-based aid for FY 06 equals the amount committed by all other Kentucky public universities combined.

Progress measured by increasing funding for need-based financial aid.

- Build endowment funding and annual scholarship funds through private giving to increase support for student scholarships.
Progress measured by the number of new and increased scholarships from endowment and private giving.
- Increase efforts to strengthen communication with current and prospective students about financial aid opportunities, such as enhanced direct mail follow-up and financial aid workshops with prospective students in the service area.
Progress measured by the number of direct mail follow-ups and financial aid workshops.
- Implement campus-level assessments of student access and affordability through matriculation and persistence surveys.
Progress measured by the number of surveys conducted and survey results.
- Advance EKU's comprehensive capital campaign. This campaign, the first comprehensive campaign ever in Eastern's history, seeks to raise \$25 million within five main categories. A full 40 percent of funds raised are targeted directly toward student scholarships and enhancement opportunities. The remaining 60 percent will be divided equally among programs, faculty, campus improvements, and new initiatives.
Progress measured by campaign contribution levels and funds directed from the campaign to students and programs.

Kentucky State University will:

- Reallocate existing resources, engage in private fundraising efforts, and seek additional state appropriations.
Progress measured by increased number of institutional scholarships, especially need-based scholarships for economically disadvantaged students.
- Ensure all students seeking financial aid complete the FAFSA form by ceasing the processing of financial aid applications until this form is complete.
Progress measured by increased number of students

completing FAFSA forms.

- Provide more information on available financial aid and scholarships to high school students and make existing students more aware of available monies through a more intensive enrollment and retention management program.

Progress measured by the number of print materials distributed to students on financial aid and scholarships.

Morehead State University will:

- Assist students in receiving the maximum possible financial aid package from federal, state, and private programs.
Progress measured by the dollar amount of aid from federal, state, and private sources.
- Maintain student affordability by identifying nontuition sources of support including private gifts, grants, and state and federal appropriations; implementing initiatives identified through continuous improvement assessments that will minimize operating expenses and optimize use of available personnel, capital, and operating resources; and implementing partnerships with student and other constituency groups to conduct assessments and hold public forums to raise awareness on student affordability and access.
Progress measured by increases from giving and other revenue sources, cost savings from efficiency measures, and the number of public forums.
- Maintain student affordability and access to postsecondary education for place-bound students by increasing academic instruction at regional campuses and using distance education technologies to minimize or eliminate commuter and on-campus housing expenses.
Progress measured by increased extended campus and distance education offerings and higher enrollment in these courses.

Murray State University will:

- Enhance the Roads Scholars Program by building relationships with regional high schools, aligning student outcomes, providing information about college, and offering scholarships to students in the MuSU service area.
Progress measured by increased number of partnerships formed, improvements in curriculum alignment, the print materials distributed, and increased number of scholarships awarded.

- Provide more face-to-face information and assistance with college applications, creating a more user-friendly Web site, explaining financial aid to students and their parents in the service area, and conducting high school visits to provide workshops on how to apply to and finance a college education.
Progress measured by increased number of interventions with prospective students and the number of hits on the Web site.
- Ensure greater affordability and access by maintaining regional campuses.
Progress measured by enrollment at the regional campuses.
- Provide classes and programs to place-bound students through alternative communication systems (i.e., Web courses and ITV).
Progress measured by increased opportunities for students who cannot afford to travel and live on campus to enroll in college credit courses through alternative delivery systems.

Northern Kentucky University will:

- Provide merit-based financial aid to attract academically talented students (KY residents only).
Progress measured by 175 students receiving \$500,000 in scholarships.
- Provide merit-based financial aid to attract students from throughout the Commonwealth.
Progress measured by 20 students receiving \$40,000 in scholarships.
- Provide merit-based financial aid to attract a more diverse student body (KY residents only).
Progress measured by 15 students receiving \$80,000 in scholarships.
- Provide a significant pool of need-based financial aid that provides institutional work-study opportunities (KY residents only).
Progress measured by offering institutional work-study to 344 students.

Western Kentucky University will:

- Implement a Financial Aid Communication Plan to inform parents and students of postsecondary education costs and financial aid opportunities.
Progress measured by implementing the comprehensive Department of Student Financial Assistance Communication Plan 2006-2007.

- Ensure efficient utilization of institutional resources.
Progress measured by enhanced strategic planning and assessment processes.
- Seek private contributions in support of subsidizing enhanced educational programming and scholarships for students.
Progress measured by increasing the number of endowed scholarships by 20 percent annually and providing a total of 20 new endowed faculty positions over the next three years.

University of Kentucky will:

- Develop a multi-year tuition and fees strategy as part of the Top 20 Business Plan that will allow families to plan for the total cost of education, while allowing the university to set rates that compare favorably with tuition levels at UK benchmark institutions and in surrounding states.
Progress measured by monitoring anticipated undergraduate enrollment as tuition increases and by annual comparisons of tuition and family income levels at UK benchmark institutions and in surrounding states.
- Provide academic scholarships such as the Governor's Scholars and Governor's School for the Arts Program, the Legacy Tuition Program, and academic-based scholarships for first-year, transfer, and currently enrolled students. In fall 2005 UK awarded approximately \$13.8 million in various types of institutional scholarships to 1,061 first-year students, 170 transfers, and 4,257 continuing undergraduates. A comprehensive review of financial aid programs and practices, including academic scholarships, is planned for 2005-06 in response to recommendations presented in the Top 20 Business Plan. The goal is to ensure fair, effective scholarship strategies that will promote enrollment of a diverse, high-quality student body.
Progress measured by the number and amount of academic scholarships awarded in relation to increasing enrollment and tuition.
- Develop and support strategies to ensure that institutional need-based assistance increases as tuition and fees increase, including potential strategies such as increasing the amount of institutional need-based assistance by the annual percentage increase in tuition and mandatory fees or allocating a specific percentage of anticipated tuition and fee revenue for institutional need-based assistance.
Progress measured by monitoring the actual tuition discount rate and the diversity of first-year students

entering UK each fall semester over the next six years to 2012.

University of Louisville will:

- Evaluate affordability indices by analyzing factors such as tuition as a percentage of state per capita personal income (PCPI); a “weighted” PCPI for students by Kentucky counties of residence; the “net change of student support per FTE from state appropriations” and “state appropriation per student adjusted for PCPI”; the cumulative effect of tuition rate increases over the past five years; and an analysis of tuition as a percent of total public funds. *Progress measured by completion of these analyses.*

- Ensure UofL tuition is consistent with a series of indices based upon routine statistical analysis from the Office of the Vice President for Finance. Prior to tuition setting, UofL will conduct: tuition comparison analysis with chief competitor; tuition and fee comparison with new aspirational benchmarks; affordability analysis using state per capita personal income; affordability analysis using service area per capita personal income; affordability analysis using state median family income (MFI); affordability analysis using service area MFI; affordability analysis using net price calculation for bottom two quartiles less than \$4000 (JBL data); affordability analysis using net family price calculation for bottom two quartiles less than \$4000 (JBL data); affordability analysis using out-of-pocket price calculation for bottom two quartiles less than \$4,000 (JBL data). *Progress measured by completion of these analyses.*

- Ensure that any proposed tuition rates do not create undue hardship for students by annually earmarking funds for the student financial aid budget to offset the projected tuition rate increases; maintaining the financial aid commitments at roughly the same program levels as in previous years; and adjusting the student financial aid budget to offset tuition rate increases. *Progress measured by steady progress on student ability to pay indicators.*

- Implement SUCCEED, a partnership between UofL, the local school district, and the Urban League, which provides admissions and financial aid counseling to high school juniors and seniors. SUCCEED identifies and works primarily with African American students (end-of-junior year/

beginning-of-senior year) who are not quite ready for college but who can be ready to move to college with better counseling, preparation, and financial aid information.

Progress measured by enrolling 50 students in the program and better linking it with other services at UofL and in the community.

Kentucky Community and Technical College System will:

- Promote to students and parents the availability of KCTCS, state, and federal financial aid and scholarships through the KCTCS Web site, college counselors, and related sources. *Progress measured by the number of informational materials developed regarding financial aid.*
- Use the results of the KCTCS affordability performance measure and the Council's affordability study to establish annual tuition rates. *Progress measured by the number of tuition hearings conducted at KCTCS colleges to provide opportunities for student input.*
- Increase institutional financial aid based on annual tuition rates. The KCTCS budget for institutional financial aid will reflect tuition rate growth. *Progress measured by the level of institutional financial aid provided to students.*
- Implement KCTCS Strategic Plan 2006-10 that includes the goal, “increase student access and success,” with “affordability” as a core indicator. *Progress measured by using the Measuring Up “family ability to pay” calculation and reporting results to the Board of Regents and President’s Leadership Team.*

Kentucky’s nonprofit, independent colleges and universities will:

- Continue to serve as the largest single source of financial aid to their students, currently exceeding \$124.6 M. *Progress measured by increased total dollar amounts of funded and unfunded institutional aid.*
- Continue to enroll low-income students and educate them about available financial aid. *Progress measured by increased number of students receiving Pell grants, Kentucky Tuition Grants, and College Access Grants.*
- Maintain affordability by keeping tuition increases in line with their low historic averages of 6-7% annually. *Progress measured by percent of change in tuition rates.*